

BOSTON
BRUSSELS
CHICAGO
FRANKFURT
HAMBURG
HONG KONG
LONDON
LOS ANGELES
MILAN
MOSCOW
NEW JERSEY

Latham & Watkins

ATTORNEYS AT LAW
WWW.LW.COM

NEW YORK
NORTHERN VIRGINIA
ORANGE COUNTY
PARIS
SAN DIEGO
SAN FRANCISCO
SILICON VALLEY
SINGAPORE
TOKYO
WASHINGTON, D.C.

October 29, 2002

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Ex-Parte in CC Docket Nos: 96-45; 90-571; 92-237; 95-116; 98-170; 98-171

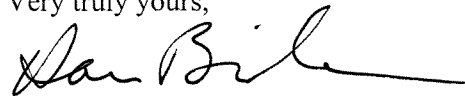
Dear Ms. Dortch:

On Wednesday, October 23, 2002 John Jones of CenturyTel, Inc., and I had ex parte contacts with Bill Maher, Chief of the Wireline Competition Bureau. The topics of these discussions were as follows:

- The various pending petitions seeking FCC guidance on state certification of CETCs who do not provide services comparable to those provided by ILECs.
- The potential impact on rural customers of changes to the contribution methodology for federal universal service programs; and the need to broaden the base of contributors to ensure stability in the fund and promote an equitable distribution of the high-cost funding mechanism.
- The critical nature of high-cost support for attracting capital and promoting investment in rural areas; and the reduction in high-cost support actually available to rural carriers such as CenturyTel resulting from the FCC's cap on the high-cost fund.

The enclosed materials summarize the points made in the meeting. The color graphics were distributed in the meeting. Please direct any questions concerning these matters to me.

Very truly yours,



Karen Brinkmann

Enclosure

cc: William Maher



CENTURYTEL BACKGROUND

- ◆ 8th largest telephone company in U.S. – 2.4 million telephone access lines
- ◆ Publicly traded on NYSE: CTL
- ◆ Full service telecommunications provider in rural markets
- ◆ History of growth through acquisition
- ◆ Rate of Return regulated for most properties (approximately 70% - at Federal Level)
- ◆ Leading purchaser of RBOC access lines – 1.2 million purchased over past five years
- ◆ 640,000 lines under CALLS for newly acquired lines in AL and MO

OPERATING PHILOSOPHY

- ◆ Lead the industry as a provider of integrated communication services in rural America -- Dedicated to rural and small urban markets
- ◆ Pursuing one of the most aggressive broadband deployments in the industry
- ◆ Continuing to grow through acquisitions of rural exchanges
- ◆ Present regulations threaten to hinder our ability to invest in new and existing markets

KEY ISSUES FOR CENTURYTEL

- ◆ Universal Service
 - ◆ High-Cost Fund Cap
 - ◆ ETC Eligibility for High-Cost Support
 - ◆ Contribution Methodology

HIGH-COST FUND CAP

- ◆ Cap significantly reduces rural high-cost support received in rural markets – Loop costs are rising faster than the cap
- ◆ Rural LECs *whose costs remain the same* are seeing diminishing per-line support, from one year to the next, due to the operation of the cap
- ◆ Added pressure on the fund results when CenturyTel buys rural high-cost lines from a non-rural carrier (that support is not transferred to rural HCF)
- ◆ Cap threatens stability, continued maintenance of service in rural America

ETC ELIGIBILITY RULES

- ◆ The high-cost support given to many CETCs is not being used as it was intended – to provide “universal service” in high-cost areas
- ◆ Too many loopholes in today’s rules that threaten universal service and highest cost customers -- a double standard has emerged
- ◆ States are applying the rules to speed competition but are not considering full public interest requirements in rural markets – long-term costs may outweigh benefits of this kind of leveraged competition
- ◆ CETCs are gaining huge windfalls at ILEC and customer expense
- ◆ Overall impact through this year is expected to result in \$2 billion increase in fund due to wireless entry
- ◆ Pending petitions (ACS, COPUC, NTCA) on these issues need to be acted upon, and the Commission must take up consideration of rule changes

CONTRIBUTION METHODOLOGY

- ◆ All carriers should participate
- ◆ Broadband providers should get comparable treatment
- ◆ Wireless carriers should contribute based on their actual interstate usage
- ◆ Avoid another end-user charge increase -- SLCs adversely impact rural customers due to greater price sensitivity, below average *per capita* income

CLOSING POINTS

- ◆ CenturyTel needs to be able to attract capital for investment – to develop and sustain longer term capital plans
- ◆ Long-term stability is needed for the rural segment of the industry
- ◆ Universal service is a critical part of that stability
- ◆ Companies like CenturyTel are the best hope for rural consumers
- ◆ The FCC should move quickly to:
 - ◆ Reexamine the High-Cost Fund Cap
 - ◆ Review ETC Eligibility
 - ◆ Broaden Universal Service Contributions Base